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C O N F I D E N T I A L COLOMBO 001240

SIPDIS

DEPARTMENT FOR SA, EB, IO; NSC FOR E. MILLARD

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TAGS: [PREL](#) [PGOV](#) [ECON](#) [ETRD](#) [MV](#)

SUBJECT: In Charge's visit, Maldivians again press for retention of Lesser Developed Country (LDC) status

Ref: Colombo 1197

(U) Classified by Donald Camp, Charge d'Affaires.
Reasons 1.5 (b,d).

1. (C) SUMMARY: During Charge's July 13 meetings in Male, GoRM officials made another pitch that the Maldives' not be graduated from LDC status. Some concern was expressed about radical Islam gaining a beachhead in the island nation, a problem which would be heightened by an economic downturn. Embassy recommends that Washington support the Maldivian request for deferral of the LDC decision. END SUMMARY.

2. (SBU) VISIT TO MALE: Charge and poloff visited the Maldives, July 13. The U.S. team met with Foreign Minister Fathulla Jameel, Deputy Foreign Minister Hussain Shihab, Foreign Secretary Dr. Ahmed Shaheed, and Deputy Minister of Home Affairs Abdul Azeez Yoosuf. The team also met with Indian High Commissioner S. Gavai.

3. (SBU) PRESSING TO RETAIN LDC STATUS: During separate meetings, FM Jameel and DFM Shihab both reiterated previous GoRM requests that the USG oppose the withdrawal of LDC status for the Maldives (see Reftel). They stressed that the withdrawal of such status for the Maldives could harm its economy in a serious way. (Note: This issue is slated to be reviewed in Geneva at the 2003 Substantive Session of the Economic and Social Council later this month. In previous UN reviews, the Maldives has only narrowly avoided losing its LDC status.)

4. (SBU) Explaining the GoRM's position, Jameel stated that the Maldivian economy is a "vulnerable" one, reliant on the vagaries of international tourism and fragile fisheries industries. The economy depended on trade concessions available under LDC status, he said. He added that losing LDC status would make the country ineligible for concessional lending from the major development banks. This loss would be especially severe given the Maldives' unusual infrastructure needs -- building breakwaters around inhabited islands against tidal surges and reclaiming lagoons to increase land mass near Male. Both interlocutors wanted the UN to conduct an independent study of the economic damage that would result from the Maldives' loss of LDC status before taking any hasty steps to withdraw that status. Shihab further argued that graduation criteria continued to evolve and the UN should examine the effect of graduation on "Small Island Group" economies. Charge told Jameel and Shihab that he would share their comments with Washington, as the U.S. was carefully studying the issue.

5. (C) CONCERN OVER RADICAL ISLAM: In additional but related remarks regarding the local political situation, Shihab and Shaheed spoke frankly about what they considered to be a growing problem with radical Islam in the Maldives. In their opinion, one source of the problem was Maldivian students returning from abroad; in particular, those receiving their education in Saudi Arabia. Shaheed stated the GoRM took efforts to ensure that students attended legitimate schools abroad, but said some students subverted the system and attended radical religious schools. Indian High Commissioner Gavai told Charge that white collar jobs were in short supply for the increasing numbers of educated Maldivians. This was creating an environment where radicalism could possibly grow. An economic downturn of the kind the GoRM predicts in the wake of LDC graduation would only exacerbate this threat of Islamic extremism.

6. (C) COMMENT: This visit only reinforced Mission's recommendation that we should defer, at least beyond July, Maldives' graduation from LDC status. Too much is at risk in this small economically and politically vulnerable nation. END COMMENT.

CAMP